

AMENDED IN ASSEMBLY JULY 7, 1997

AMENDED IN SENATE MAY 23, 1997

AMENDED IN SENATE APRIL 14, 1997

SENATE BILL

No. 1026

**Introduced by Senator Schiff
(Coauthors: Senators Craven and O'Connell)**

February 27, 1997

An act to amend ~~Sections 22954, 24414, and 24415 of Section 24415 of, and to add Sections 22951.5, 24416, and 24417 to, the~~ Education Code, relating to retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1026, as amended, Schiff. Teachers' retirement benefits.

The State Teachers' Retirement Law requires the annual transfer to the Supplemental Benefit Maintenance Account from the General Fund of 2.5% of the total of prior year salaries upon which member contributions to the retirement system are based for funding supplemental benefits. Existing law expresses legislative intent in establishing the Supplemental Benefit Maintenance Program, to manifest a contractually enforceable promise to fully repay the Teachers' Retirement Fund, with interest, for all the advances made therefrom and for any appropriation made in Item 1920-111-835 of the Budget Act of 1989 and otherwise reserves the right of the Legislature to reduce or terminate the state's contributions and supplemental benefit distributions.

This bill would make technical, nonsubstantive changes in that provision.

Existing law provides that the proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments to retired members, disabled members, and beneficiaries to restore purchasing power up to 68.2% of the purchasing power of their initial monthly allowances and requires the Teachers' Retirement Board to make annual transfers from the Teachers' Retirement Fund to the Supplemental Benefit Maintenance Account to fund that benefit.

This bill would increase that percentage to 75% of purchasing power, would require the board to make retirement fund transfers that are necessary to fund the increased percentage, and would provide that the board reserves the right to reduce distributions to a level below 75% or to terminate distributions, depending upon availability of funds.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1.—Section 22954 of the Education Code is~~
2 ~~SECTION 1. This act may be known and cited as the~~
3 ~~Mrs. Ruth Q. de Prida Pension Protection Act.~~
4 SEC. 2. Section 22951.5 is added to the Education
5 Code, to read:
6 22951.5. In addition to any other contributions
7 required by this part, if the board determines that the
8 Supplemental Benefit Maintenance Account will not
9 have sufficient funds to make the maximum payment
10 pursuant to Section 24417, the board may increase the
11 employer contribution rate as provided in Section 24416.
12 SEC. 3. Section 24415 of the Education Code is
13 amended to read:
14 24415. (a) The proceeds of the Supplemental Benefit
15 Maintenance Account shall, except as otherwise provided
16 by Section 24414, be distributed annually in quarterly
17 supplemental payments commencing on September 1,

1 1990, to retired members, disabled members, and
2 beneficiaries. The amount available for distribution in
3 any fiscal year shall not exceed the amount necessary to
4 restore purchasing power up to ~~68.2~~ 75 percent of the
5 purchasing power of the initial monthly allowance after
6 the application of all allowance increases authorized by
7 this part, including those specified in Section 24412.

8 (b) The net revenues to be distributed shall be
9 allocated among those retired members, disabled
10 members, and beneficiaries whose allowances, after
11 sequentially applying the annual improvement factor as
12 defined in Sections 22140 and 22141, and the annual
13 supplemental payment as defined in Section 24412, have
14 the lowest purchasing power percentage. The purchasing
15 power calculation for each individual shall be based on
16 the change in the All Urban California Consumer Price
17 Index between June of the calendar year of retirement
18 and June of the fiscal year preceding the fiscal year of
19 distribution. In any year in which the purchasing power
20 of the allowances of all retired members, disabled
21 members, and beneficiaries equals not less than ~~68.2~~ 75
22 percent and additional funds remain from the allocation
23 authorized by this section, those funds shall remain in the
24 Supplemental Benefit Maintenance Account for
25 allocation in future years.

26 (c) The allowance increase shall not be applicable to
27 annuities payable from the accumulated annuity deposit
28 contributions or the accumulated tax-sheltered annuity
29 contributions.

30 (d) The benefits provided by subdivision (b) are not
31 cumulative, not part of the base allowance, and will be
32 payable only to the extent that funds are available from
33 the Supplemental Benefit Maintenance Account. The
34 board shall inform each recipient of the contents of this
35 subdivision.

36 (e) The adjustments authorized by this section are not
37 vested and shall not be included in the base allowance for
38 purposes of calculating the annual improvement defined
39 by Sections 22140 and 22141.

1 SEC. 4. Section 24416 is added to the Education Code,
2 to read:

3 24416. (a) Beginning in the 1997–98 fiscal year, if the
4 board determines by June 30 of the then current fiscal
5 year that the Supplemental Benefit Maintenance
6 Account will not have sufficient funds to provide
7 purchasing power of up to 75 percent for the subsequent
8 fiscal year, the board, for any that year, may do either, or
9 a combination of the following:

10 (1) Increase the employer contribution rate
11 commencing in the next fiscal year by an amount that
12 would provide sufficient funds for no more than the
13 estimated difference between the funds in the
14 Supplemental Benefit Maintenance Account and the
15 amount needed to pay the benefit level specified by the
16 board, provided the benefit level is no more than 75
17 percent.

18 (2) Reduce the supplemental benefit payment for the
19 subsequent fiscal year to the amount which can be funded
20 by the available funds in the Supplemental Benefit
21 Maintenance Account.

22 (b) If the board finds that there is no unfunded
23 obligation, as determined by the board's professional
24 consulting actuary and affirmed by the Director of
25 Finance, then in addition to the authority pursuant to
26 subdivision (a), the board may transfer to an auxiliary
27 Supplemental Benefit Maintenance Account, from any
28 funds that are in excess of the amount needed to fund
29 fully the benefits for which the Teachers' Retirement
30 Fund is liable, an amount that would provide sufficient
31 funds for no more than the estimated difference between
32 the funds in the Supplemental Benefit Maintenance
33 Account and the amount needed to pay the benefit level
34 specified by the board, provided the benefit level is no
35 more than 75 percent.

36 (c) If the board increases the employer contribution
37 rate pursuant to paragraph (1) of subdivision (a), the
38 increase between the current fiscal year contribution rate
39 and the contribution rate in the next fiscal year, shall not

1 exceed one-quarter of 1 percent of the creditable
2 compensation upon which contributions are based.

3 SEC. 5. Section 24417 is added to the Education Code,
4 to read:

5 24417. (a) The proceeds of an auxiliary
6 Supplemental Benefit Maintenance Account shall be
7 distributed annually in quarterly supplemental
8 payments, commencing when funds in that account are
9 insufficient to support 75 percent, to retired members,
10 disabled members, and beneficiaries. The amount
11 available for distribution in any fiscal year shall not
12 exceed the amount necessary to restore purchasing
13 power up to 75 percent of the purchasing power of the
14 initial monthly allowance after the application of all
15 allowance increases authorized by this part, including
16 those specified in Section 24412 and Section 24415.

17 (b) The net revenues to be distributed shall be
18 allocated among those retired members, disabled
19 members, and beneficiaries whose allowances, after
20 sequentially applying the annual improvement factor as
21 defined in Sections 22140 and 22141, and the annual
22 supplemental payment as defined in Section 24412 and
23 Section 24415, have the lowest purchasing power
24 percentage. The purchasing power calculation for each
25 individual shall be based on the change in the All Urban
26 California Consumer Price Index between June of the
27 calendar year of benefit effective date and June of the
28 fiscal year preceding the fiscal year of distribution.

29 (c) The allowance increase shall not be applicable to
30 annuities payable from the accumulated annuity deposit
31 contributions or the accumulated tax-sheltered annuity
32 contributions.

33 (d) The benefits provided by subdivision (b) are not
34 cumulative, nor part of the base allowance, and will be
35 payable only to the extent that funds are available from
36 the Supplemental Benefit Maintenance Account and the
37 Auxiliary Supplemental Benefit Maintenance Account.
38 The board shall inform each recipient of the contents of
39 this subdivision.

1 (e) *The distributions authorized by this section are not*
2 *vested and shall not be included in the base allowance for*
3 *purposes of calculating the annual improvement defined*
4 *by Section 22140 and 22141.*

5 SEC. 6. *It is the intent of the Legislature that no*
6 *General Fund revenue, in excess of the funds specified in*
7 *Section 22954, be transferred to the Supplemental Benefit*
8 *Maintenance Account for the purpose of providing*
9 *supplemental benefit payments.*

10 *It is further the intent of the Legislature that all*
11 *payments from the Supplemental Benefit Maintenance*
12 *Account include a notification that the payments from*
13 *the account are not vested and may be reduced or*
14 *terminated in the next year. The notification shall also*
15 *indicate that no assumption should be made that*
16 *payments from this account will continue.*

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**All matter omitted in this version of the
bill appears in the bill as amended in the
Senate, May 23, 1997 (JR 11)**

